

COVINGTON & BURLING LLP  
The New York Times Building  
620 Eighth Avenue  
New York, NY 10018  
Telephone: (212) 841-1000  
Facsimile: (212) 841-1010  
Dianne Coffino  
R. Alexander Clark

*Counsel to Certain Former Directors of Sears Canada, Inc.*

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

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<i>In re:</i>	)	Case No. 18-23538 (RDD)
	)	
SEARS HOLDINGS CORPORATION,	)	Chapter 11
	)	
Debtors. <sup>1</sup>	)	(Jointly Administered)
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**LIMITED RESPONSE TO MOTION BY QBE INSURANCE CORPORATION  
FOR RELIEF FROM AUTOMATIC STAY FOR THE PURPOSES OF FILING  
DECLARATORY LITIGATION IN THE UNITED STATES DISTRICT  
COURT AGAINST FORMER DIRECTORS OF SEARS CANADA, INC.**

William R. Harker, William C. Crowley, Donald C. Ross, James McBurney, Ephraim J.

Bird and Douglas Campbell, each a former director of Sears Canada, Inc. (collectively, “Former

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<sup>1</sup> The debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); and Sears Brands Management Corporation (5365). The location of the Debtors’ corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

Directors”), by and through their undersigned counsel, hereby file this response (“Response”) to the *Motion by QBE Insurance Corporation for Relief from Automatic Stay for the Purposes of Filing Declaratory Litigation in the United States District Court Against Former Directors of Sears Canada, Inc.* [Docket No. 3910] (“Stay Relief Motion”) filed by QBE Insurance Corporation (“QBE”), and in support thereof, respectfully state as follows.

1. By the Stay Relief Motion, QBE seeks entry of a proposed order (“QBE Order”) by the Court concluding that (i) the proceeds of the Side A Excess Liability Policy No. QPL0045025 (“Excess Policy”) issued by QBE (pursuant to which the Former Directors claim coverage) do not constitute property of the Debtors’ estates under section 541 of the Bankruptcy Code,<sup>2</sup> (ii) the automatic stay is inapplicable to QBE’s right to proceed with the filing of a declaratory judgment action in the United States District Court for the Northern District of Illinois against the Former Directors, and (iii) the automatic stay, to the extent applicable, is lifted under section 362(d) of the Bankruptcy Code to allow QBE to proceed with the filing of a declaratory judgment action in the United States District Court for the Northern District of Illinois against the Former Directors, among others.

2. The Former Directors agree that the proceeds of the Excess Policy are not property of the Debtors’ estates under section 541 of the Bankruptcy Code, and thus, the automatic stay is not applicable with respect to claims made or actions taken with respect to the Excess Policy. To the extent that this Court determines otherwise, however, the Former Directors request that any order entered by the Court lifting the stay provide that the stay is lifted with respect to any actions taken by either the insurer and insureds concerning the Excess Policy.

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<sup>2</sup> 11 U.S.C. §§ 101, *et seq.*

3. The Former Directors expressly reserve all rights with respect to the Stay Relief Motion, including the right to supplement or amend this Response and be heard at any hearing related to the Stay Relief Motion. Nothing contained herein shall constitute a waiver of any of the rights or remedies of the Former Directors, all of which are expressly reserved.

Dated: New York, New York  
June 13, 2019

**COVINGTON & BURLING LLP**

By: /s/ Dianne F. Coffino  
Dianne F. Coffino  
R. Alexander Clark

The New York Times Building  
620 Eighth Avenue  
New York, NY 10018  
Telephone: (212) 841-1000  
Facsimile: (212) 841-1010  
Email: [dcoffino@cov.com](mailto:dcoffino@cov.com)  
[aclark@cov.com](mailto:aclark@cov.com)

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Sears Canada, Inc.*